



January 23, 2003

TechniGraphix, Inc. contracted with CAP Ventures to provide them with a Report on Industry Practices and the extent of Xerox's mitigation efforts with respect to the purported contracts at issue in this case.

I have reviewed the pleadings and motions in this case, the records of contracts kept by TechniGraphix, the contracts presented by Xerox, the diligence produced by TechniGraphix in its stock acquisition and all discovery produced by TechniGraphix to this point. I have also reviewed industry data as it relates to the market for this equipment from 2000 through 2003.

Based on negotiating and reviewing a number of leases with Xerox over a period of many years the documentation in this case is not very clear. I have reviewed and executed many leases that were renegotiations, amendments or modifications to existing leases with Xerox, including the "pooled" plans often used in this case. Pooled plans generally include the cost of the equipment, accessories, service and supplies. In this case the pools included generally included 4,500,000 prints per month with overs billing at \$.0026. It is general practice to have all contracts reviewed internally by sales management and financing staff prior to execution. This is generally the practice within the industry and at Xerox.

Given the material provided in this case, it impossible to align the contracts with the specific equipment (e.g. serial numbers). These contracts lack the specificity generally accepted in this industry. They were missing terms and were generally unclear as to what was covered. Therefore it would be impossible to assign these contracts without active assistance from Xerox.

It is generally conceded, however, that the equipment was in use until August of 2000. It is unusual that the copies of the contracts we reviewed were not signed by anyone at Xerox other than the sales representative.

It is common industry practice to request a promissory note for an agreement of this size. Indeed this more common practice was evidenced by the promissory note signed by TechniGraphix Inc. on 10/30/95 that clearly outlines the amount financed, the interest rate, the total number of payments and exactly what equipment is covered (including serial numbers). As is common practice, Xerox also signed this document. These documents indicate a long-standing and complex business relationship between Xerox and TechnoGraphics.

It is my understanding that the equipment was in service through August of 2000 and that during that period all lease and service payments were made. Once the equipment was removed from use, TechniGraphix offered to return the equipment to Xerox. The equipment is now stored securely in a warehouse and is currently in good condition.

Generally, the agreements entered into included service, supplies and the lease of the equipment. Once the equipment was taken out of service, Xerox no longer provided service or supplies. Therefore Xerox would have suffered no loss on providing services and supplies.

A market certainly existed in 2000 and currently exists for this equipment. Per CAP Ventures Annual Market Forecast, Xerox placed close to 300 DocuTech 6180 devices in 2000 in the United States. While some software changes have occurred since that date, the basic equipment is still marketable in 2003.

It is our belief to a reasonable degree of professional certainty that late in 2000 Xerox could have sold this equipment as used; found a party who would have assumed the existing "pooled" agreements at or near existing terms; negotiated new "pooled" agreements at or near existing terms; or Xerox could have remanufactured the printing equipment and sold it as new which is a common practice in this industry. It is also our belief to a reasonable degree of professional certainty that Xerox could still sell this equipment as used; find a party to assume the existing "pooled" agreements at or near existing terms; negotiated new "pooled" agreements at or near existing terms; or remanufacture the equipment and sell it as new.

Note: This report is based upon the industry knowledge and intellectual property of CAP Ventures.

## About CAP Ventures Market Estimates and Definitions

The On Demand Consulting Service at CAP Ventures prepares in-depth estimates of the markets for production copying and printing equipment. The data results from primary and secondary research and analysis conducted by the CAP Ventures staff and covers a comprehensive range of equipment in the United States. CAP Ventures has made annual market forecasts since 1995 employing the same methodology.

Each year research is conducted by telephone, personal interviews and email surveys with equipment manufacturers, resellers, systems providers and end users on a national basis. Because some of the data is gathered under nondisclosure agreements, the detail of these estimates is presented by segment, and not by specific models.

Additional research sources for these estimates include archival data, industry trade associations, published reports and other data in the public domain. All the values were cross-referenced with other CAP Venture databases, particularly those of the Communication Supplies Service (that forecasts supplies such as paper and toner), to insure accuracy and consistency in the representation of market size and trends.

### General Forecast Definitions

- Single Function is any analog or digital device that performs only one of the normal functions (print or copy) and operates on its internal programs and hardware. Digital copiers all have embedded scanners.
- Unit Placements are in thousands. The data represent CAP Ventures estimate of the total number of new incremental units placed in the user's environment during the calendar year. Remanufactured or refurbished units are not included. Shipments from factory to warehouse, or from warehouse to reseller are also excluded. We diligently attempt to count only end-user placements.
- Year-end Installed Base is in thousands. It is the estimate of the total number of units in the market at the end of the calendar year.
- Average Installed Base is in thousands. It is the time-averaged number of units in use during the calendar year.
- Average Unit Price is expressed in current US dollars. It is the weighted average for all products sold with a given market segment, and is calculated on the standard products, without accessories, at the time of purchase by the end user. For modular units, the average unit price will include the least expensive practical functionality and connectivity options. In all cases, pricing is based on estimated realized price, not manufacturer's suggested retail price.
- Annual Unit Sales Revenue is expressed in millions of current US dollars. It is the total revenue from the sale of standard configured units, excluding accessories, consumables, parts and service.

All data is collected on a per model basis.

## ***Exhibit A***

### ***Information on CAP Ventures***

#### ***About CAP Ventures***

CAP Ventures is the leading market research and strategic consulting firm focused on digital document printing, publishing, management, delivery and document software. CAP Ventures' consultants and analysts provide technology advice and market strategies for vendors and corporate users in the digital printing and publishing industry and allied fields. Through consulting services, we assist equipment, software and supplies vendors, and users of digital document technology to leverage opportunity, and to make their businesses more successful.

CAP Ventures Consulting expertise includes the following practice areas:

- Digital Peripherals Service (Copier, Fax, Scanning, Multi-function devices)
- On Demand Publishing & Printing – North America & Europe
- Production Workflow Solutions/Document Outsourcing Consulting Service
- Communications Supplies – North America & Europe
- Dynamic Content Software Strategies Consulting Service (Document Management and multimedia publishing)
- Visual Communications/Wide Format Printing
- Network Document Solutions
- Market Research

CAPV's subscription-based consulting services provide clients with an ongoing analysis of their respective markets including market forecasts, competitive analysis, industry trends and major product/service introductions.

## ***Exhibit C***

**Charles M. Corr**  
**Group Director**  
**CAP Ventures, Inc.**

Charlie Corr is a Group Director at CAP Ventures responsible for the Digital Peripherals Service, the On Demand Printing & Publishing Service, the Production Workflow Solutions Service, the Network Document Solutions Service and the Corporate Consulting Group. Mr. Corr has more than 25 years of experience in the printing, copying and the corporate field with industry-wide expertise in implementing digital print technology. Mr. Corr has been a consultant at CAP Ventures since 1998.

CAP Ventures is a strategic consulting firm for providers and users of digital business communication technologies and services. CAP Ventures delivers key research, analysis, market forecasts, benchmarking, and strategy recommendations to vendors in the document technology market such as Canon, HP, Heidelberg, IBM, Ricoh and Xerox. As part of our annual forecasting efforts, we track placements and costs of equipment in the copying/printing markets.

The Digital Peripherals Solutions focuses on the technologies, products, standards, distribution, and markets that represent opportunities and threats to vendors of digital office peripherals, including input and output devices for general office applications and personal use. The technology this service covers includes printers, copiers, fax, and scanners.

The Network Document Solutions service provides clients research, consulting services, forecasts and counsel on enabling software in the business process of managing documents and document workflow in the workgroup. The service monitors the end-user software requirements for digital peripherals.

The On Demand Printing and Publishing Service provides industry leaders with information, forecasts and advice on technologies, products, and markets that present significant opportunities and threats to digital printing equipment and supplies manufacturers and print providers.

The Production Workflow Solutions service offers service providers and technology providers the news, analysis, research, forecasts and consulting they need to develop effective production workflow solutions and leverage those solutions to deliver value-added print and print-related services to the market. This service also covers the Document Outsourcing market.

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The Corporate Consulting Group assists large organizations in evaluating document production technologies. Clients include the Department of Defense, IRS, Merrill Lynch, etc.

Mr. Corr has responsibility for driving programs that help service providers, distributors, manufacturers and end-users of business communications technologies and services. Mr. Corr has provided research and consulting services for literally every major player in the worldwide electronic printing and services market. He is a frequent speaker at major industry trade shows and conferences around the world and often keynotes.

Prior to joining CAP Ventures in 1998, Charlie was responsible for operations of Harvard University Printing & Publications Services (1984-1998). HPPS was a full service graphic provider to Harvard University and its affiliates with eight facilities across the campus. HPPS offered four lines of business to the community: Design and Custom Print; Office Stationery and Paper; Copy and Network Print Services and Mailing and Fulfillment Services. During Mr. Corr's tenure, HPPS was the largest in-plant printing facility of any private University with annual sales of \$14 million.

While at Harvard University, Mr. Corr was an innovator in the use of digital print technology such as the Xerox DocuTech and the DigiPath solution. With responsibility for both the centralized and remote Copy Center sites at Harvard, Mr. Corr has entered into dozens of lease and purchase agreements with Xerox including renegotiation of a number of leases during the consolidation of printing/copying facilities at Harvard. Mr. Corr both negotiated and monitored these leases and purchase agreements.

Among the Awards and Recognition Mr. Corr has received:

- Printing Industry of America, Benjamin Franklin Award for Digital Print, 1996, Merit Award 1997
- Overture print-on-demand project (now DigiPath) was nominated for the Computerworld Smithsonian Technological Innovation Award 1993
- First Place Awards for Most Creative Use of Digital Printing and Reengineering, 1994 & 1995
- Recipient of Vice President for Administration "Harvard Hero Award", 1995

Affiliations:

- Xerox University Advisory Panel (1989-1998)
- Profit Control Users Association, served on Steering Committee (1990-1998)
- National Association of Print Leadership
- National Association of College & University Mail Services (1990-1998)
- National Association of Quick Printers/PrintImage
- Printing Industries of New England
- Graphic Communications International Union/Greater Boston Lithographic Institute

Technological Accomplishments:



- Development partner with Xerox for digital/network based print. Products included DocuTech; Network Servers; Xerox Documents on Demand (now DigiPath); TCP/IP Remote Filing; InterDoc web based job submission tool; on-line finishing devices; DocuJob converter and software for individualization and personalization (e.g. VIPP).
- Worked with Xerox PARC and Harvard Business School Publishing to develop a model for print-on-demand. The "Overture" project was essential to the development of the network DocuTech and DigiPath.
- Development of Harvard Diploma project utilizing PostScript code and networked based DocuTech printers (1993).
- Development partner on InfoNet print-on-demand project for Harvard Business School Publishing, a fully automated pricing, print-on-demand and fulfillment program (1996-1997)
- SME (Subject Matter Expert) to Xerox on networked/digital print order entry, pricing and scheduling software (1997-1998)
- Development partner with the Faculty of Arts and Science at Harvard University for an on-line network print tool allowing access to FAS students, faculty and staff to various network print devices (1997)
- Development partners for Quick Quote/Price List Program with Profit Control System that operated on an IBM AS/400 for pricing, estimating, order entry and billing of standard print products.

Before joining the staff at Harvard University, Mr. Corr was Manager of Printing Services at Wellesley College.

Mr. Corr has a B.A. in Political Science from the University of Rhode Island; done postgraduate work at Claremont Graduate School and The University of Massachusetts, Amherst and has taught at Northeastern University from 1987-1992. Among the courses taught:

- Buying Print Services
- Selecting & Purchasing Paper
- Managing Print Production